

**South Carolina
Department of Education
Columbia, South Carolina**

State Auditor's Report

June 30, 2020



Independent Account's Report on Applying Agreed-Upon Procedures

July 26, 2021

The Honorable Molly M. Spearman
State Superintendent of Education
South Carolina Department of Education
Columbia, South Carolina

We have performed the procedures described in Attachment 1 on the systems, processes and behaviors related to financial activity of the South Carolina Department of Education (the Department) for the fiscal year ended June 30, 2020. The Department's management is responsible for the systems, processes and behaviors related to financial activity.

The Department's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of understanding the systems, processes and behaviors related to financial activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the Department for the year ended June 30, 2020. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the Department management. Management of the Department has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

We are required to be independent of the Department and to meet other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the State Board of Education and management of the Department, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

**South Carolina Office of the State Auditor
Agreed - Upon Procedures Related to the South Carolina Department of Education (H63)**

Cash Receipts/Revenues

1. Haphazardly select five non-federal cash receipts transactions and inspect supporting documentation to determine:
 - Transaction agrees with the general ledger as to amount, date, payor, and account classification.
 - Receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the fiscal year 2020 Appropriations Act.
 - Both revenue collections and amounts charged are properly authorized by law and that any fee increases are in accordance with Proviso 117.7 of the fiscal year 2020 Appropriations Act.
 - Receipts are recorded in the proper fiscal year.

Finding

The Department recorded a transaction for a Medicaid reimbursement of \$275,000 in the miscellaneous revenue account that should have been recorded in the Medicaid and Medicare reimbursement account.

Management's Response

The Department agrees with this finding. As a corrective action to this transaction, the fiscal accounting manager has discussed with the accounts receivable analyst and fiscal analyst, who assists with approvals, the importance of ensuring general ledger codes are reviewed and properly classified. The fiscal accounting manager and the fiscal analyst will review documents together to ensure there is an understanding/training of proper general ledger use.

Cash Disbursements/Non-Payroll Expenditures

2. Haphazardly select seven purchasing card transactions from the Office of the State Comptroller General's (CG) listing of purchasing card transactions for fiscal year 2020 and inspect supporting documentation to determine:
 - The cardholder is an authorized user and individual credit limits have been properly approved in accordance with Department policies.
 - The purchase is authorized based on the cardholder's job title/position.
 - The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
 - The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedure.

Payroll

3. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll and that the employee's last paycheck, including any leave payout, was properly calculated.

Finding

One terminated employee received a paycheck of \$11 when no hours were worked in their final pay period.

Payroll (Continued)

Management's Response

The Department agrees with this finding. The finding for the overpayment for the employee on leave without pay was reviewed. It was determined the payment resulted from the calculation within the system for holiday pay which was forfeited. In order to prevent the issue in the future, the Department will enter the leave without pay as a start and stop period instead of individual days.

Journal Entries

4. Haphazardly select five journal entries for the fiscal year to:

- Trace postings to the general ledger and supporting documentation.
- Determine transaction is properly approved.
- Inspect supporting documentation to determine the purpose of the transaction.

We found no exceptions as a result of the procedure.

Reporting Packages

5. Inspect fiscal year end reporting packages submitted to the CG. Compare responses in the Master Reporting Package Checklist and any required supplemental information to year end reporting packages submitted to the CG, amounts in the South Carolina Enterprise Information System (SCEIS), and Department prepared records. Additionally, compare the dates submitted to the due dates established by the CG's Reporting Policies and Procedures Manual.

6. In addition to the procedure above, perform the following:

- Cash and Investments Reporting Package

Agree amounts to the SCEIS general ledger, the SCEIS *Yearend Reporting - Cash and Investments* report and Department prepared records. Agree amounts to State Treasurer's Office Composite Bank Account reports and year end reconciliations.

- Inventory Reporting Package

Agree amounts to the SCEIS *Yearend Reporting Inventory* report. In addition, agree the Department's reconciliation of physical inventory to the SCEIS general ledger and Department prepared records.

- Accounts Payable

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting - Prior Year Payables with Vendor* report and Department prepared records. Haphazardly select five payable transactions from federal funds and determine if amounts were properly classified, calculated, and reported. In addition, determine that the payables reported on the grants and contribution revenue reporting package were reported on the accounts payable reporting package.

- Interfund Payables Reporting Package

Agree amounts to the SCEIS general ledger, SCEIS *Yearend Reporting Inter-Agency Prior Year Payables with Vendor* report and Department prepared records. In addition, haphazardly select five payable transactions and determine if amounts were properly classified, calculated, and reported.

Reporting Packages (Continued)

- Subsequent Events Questionnaire

Compare responses and any required supplemental information to the SCEIS general ledger and Department prepared records. In addition, haphazardly select five payables from the subsequent events accounts payable worksheet and determine if the amounts were properly classified, calculated, and reported and excluded from the original accounts payable reporting package submission.

Finding

Inventory Reporting Package – The Department understated their year-end inventory balance by \$128,162.

Management Response

The Department agrees with this finding. The understatement was the result of a calculation mistake. In the future, the asset manager and fiscal accounting manager will properly review the amounts with the internal auditor who prepares the calculation prior to completing the Inventory Reporting Package.

Assets and Personal Property

7. Haphazardly select two capital asset acquisitions and inspect supporting documentation and agree to the SCEIS general ledger and the SCEIS asset history sheet. Determine that each asset was properly capitalized and posted to the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
8. Haphazardly select two capital asset retirements and inspect supporting documentation and agree to the SCEIS asset history sheet. Determine that each asset was approved for removal and removed from the general ledger in accordance with the CG's Reporting Policies and Procedures Manual.
9. Through inquiry of management and inspection of supporting documentation, determine that an inventory of Department property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.

Finding

The Department was unable to provide adequate supporting documentation regarding the approval of the asset retirement for one asset selected for inspection.

Management Response

The Department agrees with this finding. The asset manager, recently hired when this transaction occurred, inadvertently overlooked the disposal policy. After further discussion and training, the asset manager added processes to ensure adequate documentation is attached to each transaction.

Assistance Listing 84.425 Education Stabilization Fund

10. Haphazardly select three transactions disbursed from the Assistance Listing 84.425 federal grant to determine if amounts were properly expensed, classified, calculated, and reported.

We found no exceptions as a result of the procedure.

Appropriation Act / Department-Specific Provisos

11. Determine compliance with Department-specific state provisos 1.10 - Revenue Authorization, 1.14 - Transportation Collaboration, 1.37 - Education Finance Reserve Fund, 1.45 - Holocaust Funds, and 1.58 - Summer Reading Camps by inquiring with management and observing supporting documentation, where applicable.

We found no exceptions as a result of the procedure.

Status of Prior Findings

12. Through inquiry of management and inspection of supporting documentation, determine the Department has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined the Department has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except for the receipts account coding and asset retirement findings above.